

## **Part II of the Preliminary Justification**

### **Highmark Blue Cross Blue Shield Delaware – Individual Market**

Highmark Blue Cross Blue Shield Delaware (Highmark Delaware) is requesting premium increases of 5.0% for its 2015 ACA-qualifying individual products with effective dates from Jan. 1, 2015 to Dec. 31, 2015. The 5.0% is the average benefit plan level rate increase before demographic changes. The exact premium change for an individual will depend on the plan design they choose as well as their dependent's ages covered on the effective date of the contract in 2015.

When these products were launched in 2014, Highmark Delaware worked hard to price them affordably, given the many new requirements and fees under reform. Our requested premium increase for 2015 includes projected changes in health care utilization and an increase of 0.5% in fees to health insurers included in the ACA law.

#### **Projected Utilization of Health Care Services**

Health insurance premiums are affected by many factors, including who is enrolled in a health plan, the number of healthy people and those with ongoing medical needs.

The cost of providing health care has the biggest impact on health insurance premiums. Our requested premium increase reflects the prevalence of chronic illness, an aging population, and the increased cost of new medicines, procedures, and technologies. From 2013-2015, we are projecting this increase to be 8% annually, which includes 5% for health care costs and 2.9% increased utilization. This is expected to increase the total claim costs by \$45.10 per member per month from 2013 to 2015.

#### **Administrative Costs and Reserves Safety Net**

The remaining portion of the increase is due to added risk and the 0.5% increase in fees to health insurers. As health care reform expands access to insurance for millions of Americans and broadens insurance benefits, there is ongoing uncertainty about the costs associated with having a system in which everyone can obtain health insurance. For example, so far in 2014, it appears that many people who enrolled in ACA-compliant plans nationwide were those who used health care more than those previously insured. It is prudent that we set our premiums to ensure we have a safety net of funds to pay for this new level of risk, e.g., new claims and medical expenses.

#### **Medical Loss Ratio**

It is important to note that this increase will not negatively impact our Medical Loss Ratio (MLR). The 80% Medical Loss Ratio requirement represents the minimum amount of premium dollars that we are legally obligated to spend on payments to providers or expenses related to improving the quality of care. In 2015, Highmark Delaware expects to use 81.7% or \$321.78 per member per month of the average premium to cover healthcare related costs and 18.3% or \$72.31 per member per month to cover administrative expenses, taxes, fees, and underwriting gains/losses. We continue to project an MLR of 80% or more, in accordance with the MLR measurement standards prescribed in the law.